

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
HA-05 COME-00 EB-08 LAB-04 SIL-01 AGRE-00 /086 W
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R 052057Z APR 78
FM AMEMBASSY TEGUCIGALPA
TO SECSTATE WASHDC 9994
INFO AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
USCINCSO

C O N F I D E N T I A L TEGUCIGALPA 1680

E.O. 11652: GDS
TAGS: EINV, EGOV, PGOV, PINT, HO, US
SUBJ: STANDARD FRUIT ACCUSED OF BRIBERY: CHARGE DENIED

REF: (A) TEGUCIGALPA 1492 (NOTAL), (B) TEGUCIGALPA 1311

1. ON APRIL 3 RAMON VILLEDA BERMUDEZ, SON OF EX-PRESIDENT RAMON VILLEDA MORALES, EDITOR OF LA PRENSA AND PROMINENT, BUT INDEPENDENT LIBERAL PARTY MEMBER ANNOUNCED THAT HE HAD DOCUMENTS ESTABLISHING THAT THE STANDARD FRUIT COMPANY HAD MADE ILLICIT PAYMENTS TO HIGH RANKING MILITARY OFFICERS AND OTHERS. VILLEDA STATED HE WAS SENDING COPIES OF THE DOCUMENTS TO CHIEF OF STATE GENERAL MELGAR, ARMED FORCES COMMANDER GENERAL PAZ, THE ATTORNEY GENERAL AND THE AMERICAN AMBASSADOR--THE LATTER BECAUSE OF RECENTLY APPROVED U.S. LAW PROHIBITING ILLICIT PAYMENTS. EMBASSY HAS NOT YET RECEIVED DOCUMENTS, BUTH TYEY SUBSEQUENLY HAVE APPEARED IN THE LOCAL PRESS.

2. STANDARD FRUIT SOURCES HAVE MINIMIZED THE CHARGES, CLAIMING THAT VILLEDA HAS OBTAINED DOCUMENTS THAT HOW PAY-
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MENTS TO VARIOUS PERSONS FOR LEGITIMATE SERVICES PROVIDED, AND HAS EITHER MISINTERPRETED THEIR MEANING OR IS DELIBERATELY SEEKING PUBLICITY.

3. ALTHOUGH EMBASSY HAS NOT YET RECEIVED ALLEGED DOCUMENTS, THEY ARE DESCRIBED AS COPIES OF STANDARD ACCOUNT BOOK PAGES AUTHORIZING PAYMENTS UP TO SPECIFIED AMOUNTS TO THE COMMANDER, FOURTH

BATTALION (\$2,700), CUSTOMS ADMINISTRATOR (\$500), POLICE OFFICIALS (\$100 PAYMENT) AND TWO NEWSPAPER REPORTERS (\$100 PERSON/MONTH). THE DOCUMENT PRESENTED BY VILLEDA IS A PHOTOCOPY AND DATED OCTOBER 1976.

4. IN AN UNUSUALLY RAPID RESPONSE, FOURTH BATTALION COMMANDER, COL. GUSTAVO ALVAREZ MARTINEZ WAS PRESENTED TO ASSEMBLED REPORTERS BY GOH ON APRIL 4 AND, IN A SPIRITED DEFENSE, DESCRIBED SYSTEM BY WHICH THE ARMED FORCES ORGANIZE AN AUXILIARY FORCE TO PROTECT COMPANY PROPERTY AND BILLS STANDARD FOR THE SERVICE. COL. ALVAREZ BROUGHT COPIES OF HIS MOST RECENT (MARCH) VOUCHERS, WHERE THE SERVICES PROVIDED ARE CLEARLY SPELLED OUT. THIS IS PROVIDED FOR BY HONDURAN LAW AND POLICY SO THAT PRIVATE COMPANIES DO NOT HAVE THEIR OWN ARMED SECURITY FORCES. SOME REPORTERS ATTEMPTED TO TIE THE PAYMENT FOR THIS SERVICE TO IMPROPER INFLUENCE ON STANDARD'S PART OVER THE BATTALION, ESPECIALLY IN THE MARCH 1977 REPLACEMENT OF CORRUPT COMMUNIST LEADERS OF ITS OWN UNION BY THE RANK AND FILE AND THE FEBRUARY 1977 ARREST OF FORMER DIRECTORS OF A BANANA-GROWING CO-OPERATIVE (REF A). COL. ALVAREZ DENIED THIS CHARGE, (ALTHOUGH IT WILL LIKELY BE ACCEPTED BY THOSE GROUPS WHO SEE STANDARD'S FINE HAND BEHIND ALL DEVELOPMENTS).

5. COMMENT: ANY CHARGE OF BRIBERY BY A BANANA COMPANY IN THIS COUNTRY IS SURE TO RECEIVE WIDE PUBLICITY AND REKINDLE MEMORIES OF "BANANAGATE," THE \$1.25 MILLION PAYMENT IN 1975 BY UNITED FRUIT TO HONDURAN GOVERNMENT OFFICIALS. HERMAN ALLEN PADGETT, A CONFIDENTIAL

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RESPECTED RADIO COMMENTATOR, IN AN EDITORIAL READ APRIL 5, ACCEPTED COL. ALVAREZ' EXPLANATION AND NOTED THAT THE BANANA COMPANIES HAVE A RIGHT TO PROTECTION SERVICES. WORSE, PADGETT SAID, AND THE EMBASSY AGREES, WOULD BE A SYSTEM WHEREBY THE COMPANY HAD ITS OWN POLICE FORCE, SOMETHING THE GOH COULD NOT ACCEPT. NEVERTHELESS, HE SAID, THE PRESENT SYSTEM IS NOT A GOOD ONE AND RATHER THAN PAYING THE BATTALION COMMANDER, THE EXTRA POLICE SHOULD BE PROVIDED DIRECTLY BY THE GOVERNMENT. THE SYSTEM SEEMS TO BE AN ACCEPTED ONE IN HONDURAS ALTHOUGH BY ITS LOOSENESS IT PROBABLY ALLOWS ABUSE. THIS INCIDENT MIGHT REINFORCE MILITARY-PRESS SUSPICIONS THAT SURFACED OVER REPORTING OF POSSIBLE MILITARY INVOLVEMENT IN A NARCOTICS TRAFFICKING CASE (REF B), BUT THE DIRECT RESPONSE TO THE CHARGES BY THE GOH IN PRESENTING COL. ALVAREZ TO THE PRESS NOW SEEMS TO HAVE BLUNTED THEIR IMPACT. IT DOES NOT SEEM LIKELY THAT ANY FURTHER ACTION WILL BE NECESSARY. ON BASIS OF DOCUMENTS APPEARING IN PRESS AND EXPLANATIONS BY LEGITIMATE EXPENSES FOR SECURITY SERVICES AVAILABLE ONLY FROM GOH ARMED FORCES. THE PAYMENTS APPEAR ALSO TO BE CAREFULLY EXPLAINED AND ACCOUNTED FOR BY STANDARD FRUIT IN THESE DOCUMENTS. THUS, IT WOULD SEEM THAT THE COMPANY HAS ATTEMPTED TO COMPLY WITH ACCOUNTING STANDARDS AND OTHER REQUIREMENTS CONTAINED IN THE FOREIGN CORRUPT PRACTICES ACT OF 1977 WHICH DEALS WITH BRIBERY AND

OTHER ILLICIT PAYMENTS BY US COMPANIES ABROAD.
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